

INSURANCE

Jim Long, Commissioner

North Carolina Department of Insurance



DOI to Conduct Majority of Fire Department Inspections Statewide

House Bill (H.B.) 1696, which passed in the recent 2000 Session of the North Carolina General Assembly, addresses fire insurance public protection districts, placing rating responsibilities of cities of 100,000 in population or less under the Department of Insurance.

For many years, the Insurance Services Office (ISO), a private corporation funded by the insurance industry, has established public protection districts. ISO operated under contract with the N.C. Rate Bureau. These districts were designated for the purpose of setting premium rates for homeowners' and property insurance. ISO visited fire districts, evaluated their fire departments' abilities to respond to fires and the quality of their equipment, and then set fire district ratings.

These ratings have not been occurring in a timely manner. Fire departments that had made changes to improve their ratings were not being upgraded by ISO quickly enough. Additionally, because the ISO Standards for the inspections were not clear, many fire departments hesitated to request an inspection from ISO.

In 1987, the General Assembly gave the Commissioner of Insurance the duty of rating the fire districts in rural areas of North Carolina. The Commissioner also serves as the State Fire Marshal. He accomplishes these rural fire district ratings through his Office of State Fire Marshal (OSFM). Presently the OSFM grades 964 departments.

House Bill 1696 gives the Commissioner the authority to rate these rural fire districts as well as cities with populations of 100,000 or fewer people. Based on the most recent population figures, the Department will now be responsible for rating 1,297 out of 1,316 districts. ISO will continue to conduct inspections in districts with populations over 100,000.

The greatest impact will be on fire departments currently rated as Class 7, 8, 9 or 9S. The OSFM estimates as many as 400 departments could move to a Class 6 rating in the future.

The fire and rescue community strongly supported the Department's efforts to get this legislation passed. Better ratings are long overdue for many fire departments and the citizens in those districts across North Carolina.

"The N.C. Department of Insurance Newsletter — keeps you, the professionals of the industries we regulate, informed of our work."

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Mohn Announces His Retirement

Frederick (Fred) H. Mohn, Sr., deputy commissioner and director of the Special Services Division of the North Carolina Department of Insurance, announced his retirement effective Oct. 31, 2000.

Mohn began his career with the North Carolina Department of Insurance in 1973. From 1973 to 1978, he worked as an investigator and insurance premium finance analyst. In 1978, he was promoted to Special Services Division supervisor and chief investigator. In 1986, Insurance Commissioner Jim Long appointed Mohn to the position of deputy commissioner and director of the Special Services Division.

“Having known Fred’s dad and serving with him in the General Assembly, Fred is just like his father and has proven to be a leader at NCDOI for his 27 years in Special Services,” Long said. “His knowledge of the various industries regulated by that division and his ability to lead our efforts will be sorely missed by all of us upon his retirement.”

Mohn, a certified law enforcement officer, states that it has been the uniqueness of the Division and the everyday challenges that have kept his interest with only one division and state department throughout his state government career.

The Special Services Division is statutorily responsible for the licensing, auditing and monitoring of four very different industries engaged in business in North Carolina: insurance premium finance companies, motor clubs, collection agencies and bail bonding. In addition, the Division conducts investigations of allegations of criminal and other statutory violations by licensed and unlicensed entities, seeking criminal prosecution, restitution and/or disciplinary actions.

“I am grateful to Fred for his leadership and his hard work through the years for the Department,” Long said. “I wish him the best as he embarks upon a new chapter in his life.”



*Frederick H. Mohn, Sr., deputy commissioner
Special Services Division*

Mohn has received numerous plaques and certificates from various groups recognizing his membership, commitment and outstanding services to the citizens of North Carolina and the entities regulated by the Special Services Division.

They include the following: Association of Clerks of Superior Court; North Carolina Collectors Association; North Carolina Bail Agents Association; Association of Insurance Premium Service Companies of North Carolina; North Carolina Law Enforcement Officers Association; and North American Collection Agency Regulatory Association, of which Mohn was a charter member, serving as one of the first elected board members and as the Association’s President in 1997.

A native of Onslow County, Fred is one of six children of the late J. F. Mohn, Sr., a former member of the North Carolina House of Representatives, and the late Lyde Carter Mohn. Mohn is a graduate of Richlands High School and East Carolina University. During the Vietnam era, Mohn served in the U. S. Army as a combat medic and paratrooper with the famed 82nd Airborne Division. Fred and his wife, Virginia, are the parents of three sons and one daughter, Erick, Joseph Christopher and Mary Elizabeth. The Mohns reside in Knightdale, N.C.



North Carolina Department of Insurance

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Establishing a Presence: NC DOI Gets a Web Site Makeover

Www-this, www-that — there are so many Web sites available now that it is difficult to keep up with the changes. With technology constantly developing and the cutting-edge becoming increasingly sharp, it is also hard to maintain a Web presence that accurately portrays the sophistication of the real life agency. With this in mind, Commissioner Jim Long and his staff at the Department of Insurance said goodbye to an antiquated, uninviting Web site over the summer. In its place now resides a revamped, enhanced site with an abbreviated URL — www.ncdoi.com. The Department's Web site is divided into three sections, a consumer side, an industry side and a section for the Office of State Fire Marshal (OSFM).

Consumer Side: Clear and Concise

With consumer satisfaction a priority, the consumer section was the first to be completed. The new site sports a streamlined, user-friendly look with clear links and layers of options that lead to the information a visitor is seeking.

Consumers can easily search a database of insurance company contact information, research types of insurance offered in North Carolina or submit an online complaint. Department contacts are also available, as is an e-mail address for the Consumer Services Division. If a visitor to the new www.ncdoi.com cannot find what he or she is looking for, he or she can send an e-mail for a quick and informative answer. This site is designed to offer concise information relating to common consumer-related insurance questions.

OSFM: Streamlining Communications

With several different divisions falling under the auspices of the Office of State Fire Marshal, its Web site is designed to incorporate descriptive information of all of divisions into one simple, easy-to-use site. The assumption is that most individuals visiting the homepage have an idea of what information they are looking for, so pull-down menus eliminate cumbersome pages full of links. At the same time, however, details are provided

for those who may not be familiar with the Office yet. The OSFM section is a one-stop shop for anyone interested in dealing with any of these divisions, including Engineering, Manufactured Housing, Injury Prevention, the Fire and Rescue



The Department's new Web site offers a comprehensive search engine and a user-friendly navigational layout.

Commission and the staff involved with certification of firefighters, various fire officials and city and county code inspectors.

In addition to details of laws and regulations, numerous forms are available onsite for downloading. Student manuals, annual reports and other publications are downloadable as well, contributing to the accessibility of OSFM information. There are also details of current injury prevention projects the OSFM

continued on page 5...

New Companies

T.H.E. Insurance Company	P&C	3-30-00
Ohio Security Insurance Company	P&C	3-30-00
USA Life One Insurance Company of Indiana	Life	3-30-00
Florida Physicians Insurance Company, Inc.	Casualty	3-31-00
Oriska Insurance Company	Surety	7-01-00
NYLIFE Insurance Company of Arizona	Life	7-01-00
Sunset Life Insurance Company of America	Life	7-01-00

Divisions Collaborate to Target Seniors for New Injury Prevention Program

OSFM and SHIIP Join Forces to Present “Remembering When”

The question hung in the air. “What 1923 song was based on a real-life conversation with a corner grocer?” The group of nearly 50 Greensboro firefighters was speechless. Ask them about smoke alarms, open flames or stop, drop and roll, and there would be numerous answers. Ask them trivia questions from the ’40s and ’50s and they aren’t as confident in their answers.

Edwin Owens, injury prevention specialist with the Office of State Fire Marshal, chuckled and gave them the answer.

“Many of the senior citizens you could be working with may know that the answer is ‘Yes, We Have No Bananas,’” he said.

Representatives from every station of the Greensboro Fire Department gathered for a few hours on Aug. 23 to receive training in the newest injury prevention program adopted by the Department of Insurance. For the first time in the Department’s history, two of its divisions have joined forces to target the senior citizen community with these life-saving messages. The Office of State Fire Marshal (OSFM) and the Seniors’ Health Insurance Information Program (SHIIP) are teaming up to present “Remembering When,” a specialized program created by the

National Fire Prevention Association (NFPA).

The NFPA created the “Remembering When” program to teach seniors how to prevent fires and falls, and thus live safer, healthier lives. A unique combination of peer teaching



Commissioner Jim Long and Greensboro Fire Chief Johnny Teeters agree that Remembering When will enhance the fire department’s programs.

and professional advice, “Remembering When” uses entertainment as a motivator. Members of the audience are encouraged to reminisce about times past, and talk about popular cultural from days gone by. A trivia game proposes questions about past generations, rekindling memories of sports, music and politics. Then when a correct answer is given, a bonus question is asked — this time about fire and fall safety.

The Greensboro firefighters got a sampling of these questions, along with trainer kits equipped with the full trivia game, visual aids and teaching suggestions. They expect to use this information when they make presentations to senior groups.



Edwin Owens, injury prevention specialist with OSFM, and Battalion Chief Larry Cockman address members of the Greensboro Fire Department at training session for Remembering When.

This element is part of what makes “Remembering When” unique — the program is taught by the team of a senior citizen and a firefighter. Facilitated by the OSFM and SHIIP partnership, both the SHIIP volunteer and the fire official receive training in the correct teaching methods, and get copies of all the teaching materials courtesy of the North Carolina Jaycee Burn Center. Injury prevention specialists from OSFM conduct the training and encourage the participation of firefighters across the state. The SHIIP office provides the contacts for the senior team members through the already-extensive network of SHIIP volunteers, who provide information on Medicare and other senior’s insurance issues to community groups on a regular basis. Their experience and involvement with senior community groups provide valuable contacts when it comes time to find audiences for “Remembering When.”

The Greensboro Fire Department hopes to meet with area SHIIP volunteers soon, and also plans to incorporate the “Remembering When” materials into their community outreach program already in place. Their request for a special training session was the first firefighter-only gathering, but the OSFM staff is prepared to offer training to any group that shows an interest. Eight other sessions, mixed with both senior citizens and firefighters, have already been held in areas across North Carolina.

If you’d like to learn more about the North Carolina “Remembering When” program, or if you know someone who is interested in receiving training, please call Peggy Price of OSFM at (800) 634-7854.

Reminder to Property and Casualty Agents — Refunds Due to Policyholders

The first of September marked the beginning of the refund period set out in this automobile insurance rate settlement between the Department of Insurance and the N.C. Rate Bureau in March. The settlement, which concluded the 1994, 1996 and 1999 rate filings, ordered a refund of approximately \$250 million, plus 11 percent interest for at least four years.

The Department's Consumer Services Division has received numerous calls from consumers asking about their expected refunds. Many claim that their agents have not been able to provide them with any information about the refund, and do not seem to be aware of the settlement at all. Consumer Services representatives have directed consumers to contact their agents

for complete details on individual policies.

Please remember that companies have until Dec. 1 to distribute refunds to auto insurance policyholders affected by the settlement.

Additionally, the settlement ordered companies to reduce automobile insurance rates an average of 9.25 percent statewide. These changes also became effective with new policies or policy renewals beginning on Sept. 1. Clean Risk Recoupment changed from 1.19 to 5.72 effective July 1, 2000, which may limit the reduction in rates.

For more information on the refund, please review the N.C. Rate Bureau's web site at www.ncrb.org.

Web Site Makeover continued from page 3...

staff participates in. This section of the Web site is aimed at streamlining communications, and the easy to follow menus and links make this an attainable goal.

Industry Side: The Word is Information

The industry side of www.ncdoi.com is an extensive collection of one thing — information. This section is currently under construction and will be live before the end of the year. Divided into subsections, this side of the site covers individual insurance products and services offered to the industry. Downloadable publications, forms and filing instructions find their homes amidst a huge amount of information. From life insurance to Third Party Administrators, the industry section covers the subsections in great detail. The information provided is geared toward industry professionals who may be searching for financial forms, market conduct exams or agent licensing requirements. These and many other details can be found with a few clicks of the mouse.

Not only are numerous publications available for viewing and downloading, but the site follows the same principals as the OSFM section. Pull-down menus and easy-to-read links make navigation simple, and e-mail addresses and contact numbers are scattered throughout the subsections in case visitors need to contact a staff member. In an effort to simplify the distribution of common materials needed by industry

representatives, each division that handles industry products and services has contributed significantly to this endeavor.

For example, the Agent Services Division made information available that will improve the communications of the Department with North Carolina agents. Some of the details that are now available online include information about prelicensing education, licensing, appointments and terminations, continuing education and answers to frequently asked questions.

More Improvements to Come

With the makeover of the Department's Web site, nearly all industry information can be found in one place, quickly and efficiently. This efficiency is expected to increase in the coming months as interactivity is added to the entire DOI site. More database connectivity should allow such timesaving procedures as status checks of applications and online form filing. The addition of a secure server is planned, which will allow applications and orders to be submitted and paid for online, and will permit a level of confidentiality in online communications previously impossible with the Department's Web presence.

In all, the improvements that have been nearly a year in coming are finally paying off. The significant changes to the Department of Insurance's Web site translate into better service for consumers, fire personnel and industry professionals alike. To check out the improved site, point your browser to www.ncdoi.com and take a look.

Market Examinations Regulatory Actions

Provident Life and Accident Insurance Company — 7-19-00

Penalized \$80,000 for failure to monitor administrative functions delegated to Third Party Administrators; failure to respond in a timely manner to Department inquiries on consumer complaints; failure to maintain agent, underwriting and claim records; and use of some advertisements that did not meet with administrative code requirements.

SERFF Demonstration, Commissioner Encourage Domestic Participation

North Carolina Joins 32 States Accepting Electronic Filing

With e-mail and the Internet taking over the world of written communications, an increasing number of insurance companies are expecting their daily activities to be streamlined into a few clicks of the mouse. In response to these demands, the North Carolina Department of Insurance has approached electronic communications with a new fervor, facilitating quick and easy interactions between organizations. Not only has the Department's Web site,



Theresa Shackelford, a supervisor in the Department's Life and Health Division, demonstrates to life and health insurance company compliance officers how the Department assigns, reviews and approves SERFF filings in the same day.

www.ncdoi.com, received a facelift (see article on page 3), but spring marked the beginning of North Carolina's electronic filing system, designed to simplify the exchange of information between the Department the companies it deals with.

In March, the Property and Casualty Division tapped into the power of the System for Electronic Rate and Form Filing, or SERFF. By early April, the Life and Health Division had joined as well. Developed in the early 1990s by the National Association of Insurance Commissioners (NAIC), SERFF answered the call for an automated system that enables companies and state agencies to communicate more efficiently. Now industry rate and form filings can be sent electronically in minutes, leading to faster review cycles, accelerated revenues and simplified multi-state filings.

This July, Insurance Commissioner Jim Long attended a Department-sponsored SERFF demonstration for domestic company representatives.



Nelson Whitley of the Property and Casualty Division of the Department of Insurance explains that the benefits of SERFF extend to both the Department and companies.

"The NAIC is currently in the midst of what I am sure will prove to be monumental changes in the way insurance is regulated by the states," Long explained.

One of the driving forces behind this is the so-called 'speed to market' problem, which will be addressed by the implementation of SERFF.

"We are ready to step up to the challenge that the insurance industry has given us," Long said, "but we need you to be part of the solution too."

The agenda included comments by Barbara Morales Burke, senior deputy commissioner, and explanations of the system by SERFF Marketing Manager Jim Latteman. Participants were divided into groups of property and casualty or life and health representatives, and a live filing was demonstrated.

"We're considering the idea of giving SERFF filings priority over paper filings — we really just need to work out the details of how it would work," said Morales Burke.

SERFF operations are located in Kansas City, with training sessions held throughout the year at that location and one in Denver. Training is offered to both state and industry personnel, and is available on-site by request. More information is available at www.serffcentral.com, or by calling one of the Department's SERFF specialists. Property and Casualty staff Nelson Whitley or Kelly Ricketts can be reached at (919) 733-3368, or call (919) 733-5060 to speak to Theresa Shackelford or Jean Holliday in the Life and Health Division.

Financial Evaluation Division Actions

LMI Insurance Company	License Revoked 6-12-00
Grangers Mutual Insurance Company	License Revoked 8-15-00
Franklin American Life Insurance Company	License Revoked 8-17-00
First National Life Insurance Company of America	License Revoked 8-31-00

Agent Services Division Takes Initiative in Offering Electronic Verification

The Agent Services Division is pleased to announce that companies have two new ways to verify information electronically. Agent and broker information can be verified through the Internet Producer Database (PDB), and file appointments and terminations can be checked through the Producer Information Network (PIN). Internet PDB and PIN were developed and are operated by the National Insurance Producer Registry (NIPR), a non-profit affiliate of the National Association of Insurance Commissioners (NAIC).

Internet Producer Database

Companies can verify agent and broker information on a subscription basis through the Internet Producer Database. The PDB is an electronic database consisting of agent and broker (producer) information which links participating states to one common system.

Information that can be retrieved regarding North Carolina agents and brokers includes demographics (name, date of birth, addresses), summary of licenses and appointments, a Continuing Education compliance indicator, issue dates of letters of

certification and clearance, and information on regulatory actions. All of this information is updated on a regular basis.

Internet PDB also contains or references producer information from sources such as the Regulatory Information Retrieval System of the NAIC. Its development is based, in part, on the belief that the widespread availability of such information will make it more difficult for a producer with significant disciplinary history to continue illegal or unethical practices.

Producer Information Network

The PIN is an electronic communication network that links states with the entities they regulate, thus facilitating the electronic exchange of producer information, including license applications, appointments and terminations. To date, data standards have been developed for the exchange of appointment and not-for-cause terminations.

The electronic licensing of nonresidents will enter the testing phase Sept. 1. North Carolina joins Iowa, Colorado and Ohio in participating in this pilot program.

For information on Internet PDB and PIN, please contact NIPR at (800) 783-8468 or at www.licenseregistry.com.

Agent Services Division Regulatory Actions

James Murray Allen — Newport, N.C. — 6-12-00

Formerly of Interstate Assurance; License Suspended; Life and Health

John A. Anderson — Davidson, N.C. — 5-25-00

Agent for Minnesota Mutual Life Insurance; Consent Order, \$500 Administrative Fine for Falsifying Information on a Policy Life and Health

J. Naurelius Boan and Charles B. Weanquoi

Associated Consultants Ltd. Charlotte, N.C. — 4-26-00

Cease and Desist issued for Acting as Public Adjusters

Jacqueline H. Craddock — Charlotte, N.C. — 2-9-00

Formerly of American General; Voluntary Surrender; Life and Health

William Faulkner — Monroe, N.C. — 7-24-00

Agent for TPC Administrators, Inc.; Voluntary Surrender; Life and Health, Property and Liability

Joseph Gurley — Goldsboro, N.C. — 5-25-00

Formerly of Investors Heritage Life; License Suspended; Life and Health

Paul W. Holland — Fayetteville, N.C. — 7-3-00

Agent for American Military Insurance. Agency; Voluntary Surrender; Life and Health, Property and Liability

Jody E. Jordan — Charlotte, N.C. — 6-2-00

Formerly of American General; Voluntary Surrender; Life and Health, Med Supp/LTC

Richard M. Leonard — Morehead City, N.C. — 7-12-00

Agent for The Leonard Group; Licenses Revoked; Life and Health, Med Supp/LTC

Bobby Joe Norman — Mooresville, N.C. — 4-19-00

Formerly of National Motor Club of America License Revoked; Motor Club Representative

David G. Parrish, Jr. — Raleigh, N.C. — 7-11-00

Agent for Awake Insurance Agency; Voluntary Surrender; Life and Health, Property and Liability, Med Supp/LTC

Penny T. Parrish — Knightdale, N.C. — 7-11-00

Agent for Awake Insurance Agency; Voluntary Surrender; Life and Health, Property and Liability, Med Supp/LTC

Marilyn M. Pendergrass — Henderson, N.C. — 2-1-00

Formerly of State Farm Life Insurance Co.; Voluntary Surrender; Life and Health, Property and Liability

Fletcher Aaron Skipper — Rockingham, N.C. — 1-20-00

Formerly of Jefferson Pilot Insurance Co.; Voluntary Surrender; Life and Health, Med Supp/LTC

Christopher Sisk — Newton, N.C. — 3-20-00

Formerly of Liberty Life Insurance Co.; Voluntary Surrender; Life and Health

Richard Kim Tudor — Angier, N.C. — 4-19-00

Formerly of Travelers Insurance Company; Licenses Revoked; Life and Health, Property and Liability, Med Supp/LTC, Broker

Katina M. Wray — Shelby, N.C. — 2-25-00

Formerly of American General; Voluntary Surrender; Life and Health

Apology to Jerry L. Ballard of Morehead City



The Department of Insurance would like to formally apologize to Mr. Jerry L. Ballard of Morehead City, N.C., for not clarifying the information printed in the Fall 1999 newsletter, specifically under Investigations Division Criminal Actions.

The Investigations Division stated that “Jerry L. Ballard was convicted of two counts of forgery and two counts of making false representation to obtain economic advantage.”

The Jerry L. Ballard who was convicted lives in Spartanburg, S.C.

It is never the intent of the Department to harm the reputation of any insurance licensee. As the regulatory agency for the insurance industry in North Carolina, it is the Department’s duty to report statutory violations and criminal activity within the industry.

Continuing Education

√ Check Your Credits

Call the Voice Response Unit (VRU) to verify your credits. Just because you attended classes and received a course completion certificate does not mean that the credits you earned are properly posted on your record. It is possible that: the provider forgot to mail in the class roster; the roster was never received by the Department of Insurance; the roster was received but your name was inadvertently overlooked by the person entering the credits; the person completing the roster inadvertently omitted your name; etc.

Remember, you are responsible! No matter the reason, if the computer does not show that you have the required minimum number of credits at the end of the calendar year, your authority to represent insurance/adjusting companies in North Carolina is terminated. In addition, the companies with whom you are appointed will be notified of this termination. Besides, the telephone number for the VRU is toll free! The VRU is an automated system providing information from the continuing education database.

Duplicate Courses

Just a reminder that licensees cannot receive ICECs for the same course more than once in any three-calendar-year period. The best way to check out a course that sounds a bit familiar is to obtain the assigned course number and compare it with the course numbers on the course completion certificates you

have in your files. A second approach is to compare the assigned course number to the course numbers on your CE record that can be accessed through the automated voice response unit. The toll-free VRU number is **1-800-931-7111**.

Agency Examiners No Longer Visiting Regional Offices

The Agent Services Division of the Department of Insurance recently announced the availability of agency examiners at the regional offices. Due to lack of interest, these examiners will no longer visit the eastern or western offices on a weekly basis.

Assistance from the Dept. is still available; however, agents, brokers and adjusters can call the Agent Services Division at (919) 733-7487.

Take Advantage of DOI's Voice Response Unit

The North Carolina Department of Insurance Licensing Voice Response Unit (VRU) has been active since September 1996. Many licensees have been taking advantage of the VRU to retrieve licensing information.

The VRU enables individuals with a Social Security or federal tax identification number to verify license status for that number, as well as retrieve information regarding:

- licensing requirements
- letters of certification or clearance
- candidate guides and testing information
- duplicate licenses
- address, name, social security number changes
- renewals and quarterly billings

You May Reach the VRU by Dialing (919) 981-5244

- If you wish to verify license status press 1;
- To verify receipt of annual renewal payments, press 2;
- To verify printing of Certification or Clearance letters, press 3;
- If you need information regarding license requirements press 4;

Resident license press 1;



- To sell Life & Health or Property & Liability insurance, press 1;
- Medicare Supplement/Long Term Care insurance, press 2;
- Broker not including Viatical Broker, press 3;
- Claims adjusting, press 4;
- Limited Lines licenses, press 5;
- Viatical Brokers, press 6;
- Corporation/Partnership licensing, press 7;
- Auto Physical Damage or Title insurance, press 8;
- Surplus Lines, press 9.

Nonresident license, press 2.

- If you need information regarding Certification or Clearance letters, press 5;
- To receive Candidate Guides and testing information, press 6;
- To receive Duplicate license, press 7;
- To change your address, name and/or social security number, press 8;
- If you need information regarding renewals and quarterly billings, press 9.
- To hear this list again, press 0.

Please follow additional instructions provided through the interactive VRU.

Agents Be Warned: Promissory Note Fraud Running Rampant Nationwide

Insurance agents and their clients are currently the targets of certain investment fraud involving the sale of unregistered promissory notes, allegedly “guaranteed” by off-shore insurance companies. This fraudulent activity, involving more than 1,000 agents, is believed to be nationwide, with approximately \$300 million in sales occurring so far affecting more than 1,000 victims. In one scenario, agents recruited to market these notes are told that “excess FDIC insurance” is providing guarantees for the notes which are supposedly issued by corporations seeking business capital. These “high interest” promissory notes are believed to be worthless.

Insurance agents have been targeted to market these notes due to their built-in client base, trust factor and possible unfamiliarity with securities laws. The perpetrators, in their efforts to build marketing networks, are offering lucrative initial commission schedules as well as repeat commissions as these notes are extended.

As a result, agents are induced to make material misrepresentations about these investments, including, but not limited to:

- The investment is a low risk, safe deal carrying the same risk as a certificate of deposit.
 - The insurance company bonding the investment is licensed in their state.
 - The investment is exempt from state securities law regulation.
- In North Carolina, agents involved in the distribution of fraudulent securities could lose their insurance licenses, be sued by their clients or face enforcement action by the Securities Fraud Division of the Office of the Secretary of State, as well as be indicted for fraud.

If you are approached to sell promissory notes or other investment type securities to your clients, the Department of Insurance urges you to call our Investigations Division at (919) 733-7434 on matters involving insurance companies and/or products. The Securities Fraud Division with the Office of the Secretary of State should be contacted regarding securities registration, regulation and licensing requirements. They can be reached at (919) 733-3924.

Investigations Division Criminal Actions

Industry

James Murray Allen — Newport, N.C. — 6-12-00
Independent Life and Health Insurance Agent. Pled guilty in U.S. District Court in Greenville, N.C. to mail fraud and conspiracy in connection with the fraudulent viatification of life insurance policies having a face value of \$2,152,500; sentencing set for Sept. 18.

Kenneth W. Beaman — Winterville, N.C. — 8-8-00
Former Agent for United Insurance Company of America. Pled guilty in Beaufort County to larceny by employee; six to eight months, suspended; 24 months supervised probation; 72 hours community service; pay \$2,009.15 restitution and fees.

Jeffrey Eugene Berrier — Monroe, N.C. — 12-14-99
Former agent with Liberty Life Insurance Company. Pled guilty in Union County to one count misdemeanor larceny; 45 day sentence, suspended; 24 months probation; pay \$2,817.89 restitution, fines, and fees.

Lois Butler — St. Pauls, N.C. — 4-10-00
Former Agent with Liberty Life Insurance Company. Pled guilty in Robeson County to one count obtaining property by false pretense and ten counts felony forgery and uttering; Sentenced to not less than 11 months nor more than 14 months, Suspended; 72 months supervised probation; 100 hours of Community service; pay \$14,624.74 restitution, fines and fees.

Joseph Harold Gurley — Goldsboro, N.C. — 5-25-00 Former Independent Agent. Pled guilty in Wayne County to one count of uttering a forged instrument; sentenced not less than 4 months nor more than 5 months, suspended; 12 months supervised probation; pay \$12,211.00 restitution and fees; complete 72 hours of community service within 360 days.

Brenda McGill — Charlotte, N.C. — 4-13-00
Former Agent with Monumental Agency Group Pled guilty in Gaston County to two counts misdemeanor larceny; 45 day sentence, suspended; 36 months supervised probation; pay \$1,704.61 restitution, fines and fees; complete 48 hours community service during first 60 days of probation. Unsupervised probation at the end of six months if all the conditions are met.

Carolyn Myriah McGuire — Morehead City, N.C. — 6-12-00 Former unregistered viatical broker. Pled guilty in U.S. District Court in Greenville, N.C., to mail fraud and conspiracy in connection with the fraudulent viatification of life insurance policies having a face value of \$2,152,500; sentencing set for Sept. 18.

Paul L. Pruitt — Broadway, N.C. — 7-24-00
Former claims representative of Allstate Insurance Company. Pled guilty in Lee County to misdemeanor larceny; pay \$11,964.48 restitution and fees.

N.C. Policies Worth \$4.7 Million Result of Viatical Settlement Scams

Three North Carolina residents were convicted of numerous federal charges involving viatical fraud, with viaticated policies worth more than \$4.7 million uncovered.

The Investigations Division of the North Carolina Department of Insurance and the Federal Bureau of Investigation are investigating fraudulent viatical settlements, a complex insurance scam ongoing in North Carolina and across the country. As of June 12, North Carolinians Ronald Patrick McDonald, Carolyn Anne McGuire and James Murray Allen faced convictions for federal mail and wire fraud in cases involving fraudulently viaticated life insurance policies. There are additional suspects, who are directly tied to the North Carolina investigation, in 12 other states involving viaticated policies worth over \$25 million.

Nationally, the combined efforts of state and federal law enforcement have prevented an economic loss to the industry of approximately \$1 billion. The first federal conviction in this nationwide effort was in the Middle District of North Carolina at Greensboro. The expansive investigation evolved to include suspects in Nevada, Arizona, New York, Florida, Texas, Georgia, Indiana and Ohio. United States Attorneys in many of these states are now pursuing criminal indictments and North Carolina presently has three federal prosecutors in Charlotte,

Greensboro and Raleigh who are coordinating the North Carolina prosecutions.

North Carolina investigators from the Department of Insurance have traveled extensively in order to assist other jurisdictions in their viatical fraud efforts, as well as to conduct investigations pertinent to the planned North Carolina prosecutions. This includes pursuing suspects who have fled North Carolina in order to avoid prosecution.

Due to this combined, aggressive investigative effort, the perpetrators of some of this viatical fraud have expanded their efforts to include senior settlements. The solicitation of investors in both viatical and senior settlements involves the dissemination of materially false and deceptive information in order to induce heavy investment activity. Investigators and prosecutors have adjusted to these changes and are pursuing indictments here in North Carolina and nationally to protect our consumers as well as our insurance companies. The National Association of Insurance Commissioners adopted model legislation and guidelines for implementation by all the states in order to prevent this type of fraudulent deception. Prosecutors and investigators are now working together in a more informed and systematic approach to expedite criminal investigations and indictments.

The North Carolina Department of Insurance is continuing its pivotal role in this investigation and additional indictments are expected in the near future.

Investigations Division Criminal Actions, continued...

William David Robinson III — Gastonia, N.C. — 2-10-00

Former Agent with Robinson Insurance Agency. Pled guilty in Gaston County to six counts of embezzlement and one count violation of 58-33-120, Agent acting without a license; sentenced to an active term of eight to 10 months and 60 months supervised probation; pay \$17,734.11 restitution and fees.

Richard K. Tudor — Angier, N.C. — 8-16-00

Former owner/agent with Tudor Insurance agency. Pled guilty in Harnett County to misdemeanor conversion; 45 days active sentence; 12 months supervised probation; pay \$17,739.05 in restitution.

Non-Industry

Jeff Dewar — Fuquay-Varina, N.C. — 5-18-00

Pled guilty in Wake County to misdemeanor larceny; 12 months supervised probation; pay \$11,878.48 restitution and fees; 50 hours community service.

John Robert Jackson, Jr. — Fayetteville, N.C. — 5-4-99

Pled guilty in Cumberland County to one count filing a false insurance claim; six to eight months sentence, suspended; 36 months probation; pay \$6,620 in restitution.

Mary Russell Slade — Yanceyville, N.C. — 6-13-00

Pled guilty in Caswell County to four counts making false statement to procure or deny benefit of insurance policy or certificate; 36 month sentence, suspended; 36 months supervised probation; pay \$1,644.33 in restitution, fines, and fees.

Russell Simeon Ward — Goldsboro, N.C. — 4-6-00

Pled guilty in Wayne County to three counts of common law forgery; sentenced to 90 days, suspended; 26 months supervised probation; pay \$2,511 restitution, fines, and fees.

Leslie James Basnight, Jr. — Kill Devil Hills, N.C. — 9-11-00

Pled guilty in Dare County to 1 count making false statement to procure or deny benefit of insurance policy or certificate; pay \$10,000 in restitution.

Surety Insurance Companies Satisfy Bail Bond Judgment Claims Totaling \$3.1 Million

Administrative actions taken by the North Carolina Department of Insurance against licensed surety insurance companies since October 1999 have resulted in bail bond judgment claims being satisfied in the amount of \$3,181,300.04, Insurance Commissioner Jim Long has announced.

These monies represent payments to satisfy bail bond judgment claims presented by various Clerks of Superior Court throughout the state of North Carolina. Six of the 21 licensed surety companies currently engaged in the business of bail bonding in North Carolina were recently issued Notices of Hearing to suspend or revoke their licenses.

Surety companies have paid the following amounts in bail bond judgment claims as a result of the Department's efforts: Frontier Insurance Company, \$684,119.58; Ranger Insurance Company, \$635,387.07; Amwest Surety Insurance Company, \$1,073,558.52; Nobel Insurance Company, \$402,191.64; American Reliable Insurance Company, \$88,289.31; International Fidelity Insurance Company, \$297,753.62.

"These actions by the Department's Special Services Division are a result of licensed insurance companies' failure to respond to official correspondence and failure to satisfy bail bond judgments outstanding in North Carolina," Long said. "This should be a sign to surety companies in North Carolina that the Department of Insurance will pursue unsatisfied bail bond judgments."

In lieu of revocation of licenses, the Department, by way of Stipulations and Consent Orders, assessed monetary penalties totaling \$37,500. In addition to each insurance company's fine, it will be required to file special quarterly reports for the year 2000.

Mutually agreed upon monetary assessments were imposed against Frontier Insurance Company, \$5,000; Ranger Insurance Company, \$10,000; Amwest Surety Insurance Company, \$5,000; and Nobel Insurance Company, \$10,000; and International Fidelity Insurance Company, \$7,500. A Stipulation and Consent Order was executed by American Reliable Insurance Company with the requirement to only file the special quarterly reports.

"These actions were necessary to stress to these companies that by law, they are the ultimate obligor on bail bonds written by their appointed surety agents," said Fred Mohn, Deputy Commissioner and Director of the Department's Special Services Division. "These surety companies must provide a better check and balance system to monitor this particular book of business."

The \$3.1 million paid to the courts to satisfy bail bond judgments are distributed to the county school systems where the action took place. In accordance with the Constitution of North Carolina, the funds from fines levied by the Department are distributed by the State Controller's Office to North Carolina public schools.

Special Services Division Criminal/Regulatory Actions

Bail Bondsmen and Runners — Criminal and Regulatory

- Malik Asim Al-Amin — Durham, N.C. — 4-1-00**
Voluntary surrender of surety bondsman and bail bondsman license.
- Antonio Battle — Wilson, N.C. — 1-1-00**
Convicted of 1 count of unlicensed bail bond activity, 1 count misdemeanor breaking and entering, 1 count larceny, \$200 fine, court costs, 1 year supervised probation.
- Melvin Casper, Jr. — Kelford, N.C. — 1-1-00**
Voluntary surrender of Surety Bondsman license.
- Willie Dixon — Riegelwood, N.C. — 8-31-00**
Voluntary surrender of professional bail bondsman license.
- Christopher Haddock — Kinston, N.C. — 6-6-00**
Professional and Surety bondsman licenses revoked in Administrative Hearing.
- Jeffrey Hicks — Albemarle, N.C. — 4-1-00**
Voluntary surrender of surety bondsman and bail bondsman license.

- Nellie Hounsell — Raleigh, N.C. — 3-1-00**
Superior Court Resident Judge signed order dismissing petitioner's appeal. Permanent revocation final.
- Elmer Lowe — Charlotte, N.C. — 6-28-00**
Professional and Surety bondsman licenses revoked in Administrative Hearing.
- Ryan Roundtree — Durham, N.C. — 4-7-00**
Convicted of unlicensed bail bond runner, \$100 fine and costs, Appealed to Superior Court.
- Mildred Smith — Lumberton, N.C. — 8-31-00**
Voluntary surrender of surety bondsman and professional bail bondsman license.

Special Services Division Actions, continued...

Bail Bondsmen and Runners — Voluntary Settlement Agreements

Wilbert Beasley — New Bern, N.C. — 5-1-00

Voluntary settlement agreement and civil penalty of \$300.

Bryce Brown — China Grove, N.C. — 5-8-00

Voluntary settlement agreement and civil penalty of \$1,500.

Gregory Coats — Raleigh, N.C. — 6-1-00

Voluntary settlement agreement and civil penalty of \$500.

Maude Cotton — Raleigh, N.C. — 4-1-00

Voluntary settlement agreement and civil penalty of \$500.

Christie Gladney — Charlotte, N.C. — 2-1-00

Voluntary Settlement Agreement and civil penalty of \$450.

Mary McCullers — Raleigh, N.C. — 2-1-00

Voluntary Settlement Agreement and civil penalty of \$250.

Ivan McLaughlin — Charlotte, N.C. — 2-1-00

Voluntary Settlement Agreement and civil penalty of \$450.

Jack Welborn — Wilkesboro, N.C. — 2-23-00

Voluntary Settlement Agreement and civil penalty of \$250.

Bail Bondsmen and Runners — Denied Applications

Marva Anders — Smithfield, N.C. — 3-2-00

Denied surety bondsman license application.

Theodore Feuerback — Raleigh, N.C. — 3-2-00

Denied bail bond runner's license application.

Derrick M. Graham — Durham, N.C. — 2-1-00

Denied bail bond runner's license application.

Charlie Gregory, Jr. — Wilmington, N.C. — 8-1-00

Denied bail bond runner's license application.

Terri Lynn Yee — Charlotte, N.C. — 2-1-00

Denied bail bond runner's license application.

Collection Agencies — Voluntary Settlement Agreements

Aultman, Hartley and Associates — Lenoir, N.C. — 5-1-00

Voluntary settlement agreement and civil penalty of \$3,000.

General Revenue Corporation — Cincinnati, Ohio — 5-1-00

Voluntary settlement agreement and civil penalty of \$1,000.

Nationwide Recovery Services, Inc. — Norcross, Ga. — 6-1-00

Voluntary settlement agreement and civil penalty of \$300.

Parson Bishop Services, Inc. — Cincinnati, Ohio — 8-1-00

Voluntary settlement agreement and civil penalty of \$300.

Surety Companies

Amwest Insurance Company — 2-1-00

Stipulation and Consent Order, Docket #D-965 and civil penalty in the amount of \$5,000.

Frontier Insurance Company — 4-1-00

Stipulation and Consent Order, Docket #D-968 and civil penalty in the amount of \$5,000.

International Fidelity Insurance Company — 8-31-00

Stipulation and Consent Order, Docket #D-969 and civil penalty in the amount of \$7,500.

Nobel Insurance Company — 4-1-00

Stipulation and Consent Order, Docket #D-970 and civil penalty in the amount of \$10,000.

Ranger Insurance Company — 2-28-00

Stipulation and Consent Order, Docket #D-971 and civil penalty in the amount of \$10,000.

Agents Confused by Medicare Nonrenewal Issues

Department Seeks to Explain Difficult Medicare Concerns

Medicare, with all of the benefits it provides to senior citizens, is a constant source of confusion for beneficiaries and agents alike. There is a growing concern in the Department of Insurance that insurance agents and insurance company customer representatives may be providing inaccurate information to Medicare+Choice enrollees. The Department feels an explanation is necessary to clarify Medigap insurance rights and options in plan nonrenewal situations. Agents and staff need to be educated and trained in order to prevent needless confusion when dealing with Medicare+Choice.

Medicare+Choice (M+C) was created in 1997 to ensure that there is a wide range of high-quality health care options available to Medicare beneficiaries. Individuals receiving Medicare can choose to join a Medicare managed care plan or stay with traditional Medicare and purchase a private supplement policy.

In North Carolina, only HMOs are available for managed care plans. These plans voluntarily enter into 12-month contracts with HCFA, January through December, to serve Medicare enrollees. Each year, managed care plans have the opportunity to choose whether or not to renew these contracts, and generally must notify HCFA by July 1 if they choose not to renew.

In North Carolina, WellPath65 decided not to renew their contract, a decision that affects Durham, Orange and Wake Counties. Qualchoice will no longer cover Iredell County. Both of these changes are effective Jan. 1, 2001, and are expected to affect approximately 3,500 Medicare recipients in the state.

Certain Medicare recipients affected by nonrenewals have guaranteed issue rights through the Medicare statute (Title XVIII of the Social Security Act), as amended by the Balanced Budget Act of 1997 and the Balanced Budget Refinement Act of 1999. These provisions require all Medigap issuers to sell certain Medigap policies on a guaranteed issue basis to individuals who will lose coverage under Medicare managed care plans. These

rights apply to all beneficiaries over age 65. For beneficiaries on Medicare due to a disability, these rights apply to the extent that Medigap policies are made available in the state to beneficiaries under age 65.

To qualify for these rights, a beneficiary must apply for a Medigap policy within 63 calendar days from either the date on the Final Notification Letter or the date coverage ends. In the case of beneficiaries affected by WellPath65 and Qualchoice, the Final Notification Letter should be dated by Oct. 2, and coverage ends on Dec. 31. Medigap issuers may therefore experience an increased demand for Medigap policies between now and Mar. 3, 2001, in the affected areas.

Beneficiaries affected by these provisions are guaranteed the ability to purchase Medicare Supplement Plans A, B, C or F within one of these two guaranteed issue periods. The seller or insurer of that policy cannot deny Medigap coverage or place conditions on the policy, cannot charge more for a policy because of past or present health problems, and must cover all pre-existing conditions.

Some beneficiaries will have additional rights to purchase Medigap policies, with different time limits. Beneficiaries who have been in Medicare managed care (an HMO) for less than 12 months have the right to purchase the Medigap policy they held prior to enrolling in managed care, if it is still sold. If they enrolled in a managed care plan when they became eligible for Medicare Part A at age 65, they have the right to choose any Medigap policy. Other beneficiaries may still be within the six-month Medigap open enrollment period that begins when they turn 65 and are covered by Part B. None of these rights is exclusive—a beneficiary might meet the criteria for more than one type of protection.

If you have questions or would like a summary sheet of guarantee issue provisions, please contact the Department of Insurance, Seniors' Health Insurance Information Program at (800) 443-9354.

Managed Care Regulatory Actions

Aetna U.S. Healthcare of the Carolinas, Inc. — 8-28-00

\$21,400 monetary penalty resulting from market practices examination findings

Principal Health Care of the Carolinas, Inc. — 5-25-00

\$14,300 monetary penalty resulting from compliance examination findings

Partners National Health Plans of N.C., Inc. — 3-30-00

\$12,200 monetary penalty resulting from market practices examination findings

Medicare Van Tour Spreads Information to 11 North Carolina Sites

Expect October to bring cooler temperatures and heated discussions during the second annual Medicare Van Tour, sponsored by the North Carolina Regional Education About Choices in Health (REACH) Partners. Commissioner Jim Long will attend all 11 sessions as a special guest speaker and representative of SHIIP, the Seniors' Health Insurance Information Program. SHIIP is one of the many programs coordinated by the Department of Insurance, and also is one of the REACH Partners.

The Van Tour serves as a mobile example of the partnership between public and private organizations dedicated to making Medicare information more readily available to the State's senior citizens. The Tour is part of the National Medicare Education program, sponsored by the Health Care Financing Administration. The three-vehicle caravan carries guest speakers who serve as panelists at the 11 informational sessions.

Audience members can question the panelists and visit booths representing REACH Partners.

The REACH Partners and Commissioner Long will attend public forums in each of the following cities during October:

For more information, call the SHIIP office at (800) 443-9354.



Medicare Van Tour

Shelby	Monday, Oct. 16	9:30 a.m.
Morganton	Monday, Oct. 16	1:30 p.m.
Statesville	Tuesday, Oct. 17	9:00 p.m.
Salisbury	Tuesday, Oct. 17	11:30 a.m.
Thomasville	Tuesday, Oct. 17	1:30 p.m.
Pinehurst	Wednesday, Oct. 18	9:30 a.m.
Asheboro	Wednesday, Oct. 18	1:30 p.m.
Burlington	Thursday, Oct. 19	9:30 a.m.
Chapel Hill	Thursday, Oct. 19	1:30 p.m.
Rocky Mount	Friday, Oct. 19	9:30 a.m.
Greenville	Friday, Oct. 19	1:30 p.m.

Life and Health Regulatory Actions

American General Life and Accident Insurance Company — 6-21-00

Penalized \$357,000 for excessive premiums paid since Jan. 1, 1982, by minority and poor policyholders who have been victims of racial discrimination. The fine is in addition to refunds with interest which will be issued to policyholders or their beneficiaries or in some cases, increases in the policy benefit amount.

GENERAL ASSEMBLY OF NORTH CAROLINA

2000 INSURANCE AND RELATED LEGISLATION

HOUSE BILL 1340 PROMPT PAYMENT OF HEALTH INSURANCE CLAIMS

Sections 1 through 4 of this act add a new respiratory care practice law to Chapter 90 of the General Statutes and are not relevant to Chapter 58 or the Department of Insurance.

Section 4(a) adds a new G.S. 58-3-225 as follows:

§ 58-3-225(a): Provides definitions. These apply to all health insurers, including HMOs and MEWAs, that sell comprehensive major medical plans.

§ 58-3-225(b) & (c): Requires that within 30 days after receiving a claim that is submitted by an insured or health care provider, an insurer shall:

- Pay the claim;
- Deny the claim, stating every specific reason for the denial. If denied for medical necessity or utilization review reasons, the insurer must include a copy of the medical necessity or utilization review standard used to deny the claim, unless the insurer has already sent a notice of utilization review noncertification that already provided the medical necessity or utilization review standard;
- Notify the claimant that the claim cannot be paid because proof of loss is inadequate or incomplete, and state specifically all of the information that is required to complete processing of the claim; or
- Notify the claimant that the claim cannot be processed because the proper claim form has not been submitted, coordination of benefits information is needed, or premiums for the patient have not been paid. If the incorrect form was used, the insurer must provide the correct claim form and instructions for completing the form if the form is other than a UB or HCFA form.

If an insurer denies or contests the claim in part (and sends notice of denial or request for information as mentioned above), it must pay the uncontested portion of the claim within 30 days after initial receipt.

There is a presumption that a claim is received five business days after placing in the mail or on the same day as filing electronically, unless the insurer shows proof that the claim was received later or not received at all.

Within 30 days after receiving additional information requested from the claimant, provider, or insured, the insurer shall pay or deny the claim. If the claim is denied,

the denial notice must include the specific reason for the denial.

§ 58-3-225(d): If the insurer has not received additional information that it requested from the claimant, provider, or insured within 90 days after making the request, the insurer shall deny the claim. The insurer must provide each specific reason for the denial, including the fact that required information was not submitted as requested, and a statement advising that the claim will be reopened upon receipt of the missing information if that information is submitted within one year of the denial.

§ 58-3-225(e): An insurers that has not paid a claim within the appropriate timeframe (31st day after receipt of initial claim or additional information that was requested) shall pay the claimant 18 percent annual rate of interest on the claim when it is paid. Interest begins to accrue on the first day after the day on which the claim should have paid. Payment is considered made on the day placed in the mail or day of electronic transfer.

§ 58-3-225(f): An insurer may require that claims be submitted within 180 days after the date of service or, in the case of inpatient services at a health care facility, the date of discharge. An insurer must accept a claim for up to one year if it was not reasonably possible for the insured to submit a claim within 180 days. In the case of an insured losing legal capacity and therefore being unable to file a claim within one year, the one-year time limit does not apply.

§ 58-3-225(g): When a health care provider is the claimant in a pending claim, the insurer must send a claim status report advising the insured that a claim has not been paid but is under investigation. The report shall be sent within 60 days after receipt of the claim and every 30 days thereafter until the claim is paid or denied. A report does not have to be sent while the insurer is waiting for additional information requested in subsection c. A copy of the status report must also be sent to the provider.

§ 58-3-225(h): Provides for insurers' recoupment of overpayments and providers' recoupment of underpayments including interest on late claim payments. The requests must be accompanied by sufficient detailed information to justify it. Details for such transactions may be outlined in provider contracts.

§ 58-3-225(i): Requires insurers to retain records sufficient to document claim processing and compliance with this law.

§ 58-3-225(j): A violation of this law subjects an insurer to civil penalties under G.S. 58-2-70. Claimants are not barred by this fact from pursuing other rights or remedies available to them under law. If an insurer makes required interest payments in good faith for a specific claim, no penalty shall apply for that claim.

§ 58-3-225(k): An insurer does not violate the law and is not required to pay interest for late payment if its failure to comply with the law was caused in material part by the claimant; by an act of God, strike, fire or other events not reasonably under the insurer's control; or if the insurer had a reasonable basis to suspect fraud on the part of the claimant and notifies the claimant of that fact.

§ 58-3-225(l): The July 1, 2001 effective date does not apply to claims processed by insurers whose claims processing software was implemented before Jan. 1, 1982, as long as the insurer implements a new software system by no later than Dec. 31, 2002.

§ 58-3-225(m): Nothing in this law limits patients' existing liability under law for medical expenses.

Section 4(b): Amends G.S. 58-3-100(c), which requires all insurers to acknowledge a claim within 30 days after receipt, to allow for electronic submission of a claim and to exempt the health insurers that are subject to G.S. 58-3-225 from this existing law, which is less stringent.

Section 4(c): Amends G.S. 58-3-172(a), which requires all insurers to send written notice of claim denials to insureds and providers eligible for payment, to exempt insurers that are subject to G.S. 58-3-225 from existing law, which is no longer needed with respect to these insurers.

Section 4(d): Amends G.S. 58-51-15(a)(7) to change the current minimum 90-day period for submitting claims to a health insurer to a 180-day period. This change is to conform to new G.S. 58-3-225(f).

Section 5: The effective date of Section 4 is July 1, 2001 and applies to claims received on or after July 1, 2001.

HOUSE BILL 1499

SENATE BILL 1335

COMMERCIAL MOTOR VEHICLE INSURANCE

In 1999, the General Assembly enacted legislation that raised the minimum motor vehicle liability insurance limits for commercial motor vehicles (H.B. 303, Session Law

1999-330). The act applied to intrastate vehicles and raised the limits to those required for interstate vehicles. Unfortunately, the act did not contain the usual "boilerplate" clause that clearly states to which policies and when the new law applies. The effective date in H.B. 303 was Dec. 1, 1999, and caught many in the insurance and trucking industries by surprise. To remedy this problem, H.B. 1499 was enacted. Section 20 of that act goes back and amends the effective date clause of H.B. 303 by making the law increasing the limits effective Sept. 1, 2000, and by stating that it applies to new or renewal policies written to become effective on Sept. 1, 2000.

Section 100 of S.B. 1335 also amended the law by changing the requirement for the minimum motor vehicle liability insurance limits for commercial motor vehicles. Effective Sept. 1, 2000, the amount is equal to that required for for-hire carriers transporting nonhazardous property in interstate or foreign commerce, which is \$750,000.

HOUSE BILL 1518

CREDIT INSURANCE CLARIFICATION

Article 57 of General Statute Chapter 58 governs credit insurance on loans of 15 or fewer years long. For loans over 15 years long (usually mortgage loans), look to other provisions in Chapter 58 for the authority to write group credit insurance on those loans.

There is clear authority in G.S. 58-58-10 and 58-58-135 to write group credit life insurance. However, in Article 51, only G.S. 58-51-100 speaks to credit accident and health insurance (that is, primarily disability coverage that pays off the loan if the borrower is sick or disabled and cannot make loan payments).

This act places language very similar to that in the group life insurance statute into the group health insurance statute (G.S. 58-51-80) to make it clear that this is authorized. Companies have been writing large groups for years, so this is codifying current practice.

HOUSE BILL 1608

BAIL BOND LICENSING AMENDMENTS

Sections 1 and 2: Provide definitions for "first-year licensee" and "supervising bail bondsman."

Section 3: Under the law, all bail bondsmen and runners must be licensed by the commissioner of insurance. This act requires that, in addition to being licensed, all first-year licensees be supervised by a supervising bail bondsmen for a period of 12 months, six of which must be consecutive. A first-year licensee must be employed by or contract with a supervising bail bondsmen.

If a first-year bail bondsman is unable to be employed by or contract with a supervising bail bondsman, the Department of Insurance may allow the first-year bail bondsman to operate as a bail bondsman. However, this bail bondsman may not supervise others for the first two years of licensure.

The act states that a person who is reapplying for a license after a period of being inactive is not a first-year licensee, as long as that person had previously been licensed for a period of a least 18 consecutive months, and the period of inactivity before the reapplication does not exceed three consecutive years.

When the first-year licensee completes the one-year supervision period, the supervising bail bondsman must notify the commissioner. If, after the 12 month period, the licensee continues to be employed by the supervising bail bondsman the supervising bail bondsman must continue to supervise and be responsible for the licensee.

Section 4: A supervising bail bondsman who terminates a first-year licensee must notify the commissioner and specify why the bondsman terminated the licensee. The commissioner may consider this information to determine if the first-year licensee's license should be suspended, revoked or denied renewal, or if criminal prosecution is warranted. If the commissioner determines that no adverse administrative action or criminal prosecution is necessary, the termination will not be deemed to have interrupted the necessary 12 months of supervision the first-year licensee is required to acquire. When the first-year licensee begins working for another supervising bail bondsman, the previous employment will be credited towards the required twelve months of supervision.

Section 5: Makes it a Class I felony for a bail bondsman to knowingly and willfully fail to return collateral security exceeding \$1,500 in value. Collateral security, such as personal and real property, must be returned under the same conditions as requested and received by the bail bondsman.

Section 6: Requires that collateral security be held in trust. Collateral security received in the form of cash, check or other negotiable instrument must be deposited in a separate, non-interest bearing account in a bank in this state, and cannot be commingled with other operating funds.

Section 7: If a bail bondsman dies, becomes incapacitated or becomes incompetent, a person acting on behalf of the bail bondsman may contract with another bail bondsman to have the deceased or ill bail bondsman's outstanding

bail bond obligations resolved to the satisfaction of the court. The contract must be filed with the commissioner and with every clerk of superior court where it can be determined that the deceased or ill bondsman has outstanding bail bond obligations.

Section 8: Increases the minimum amount of the deposit that a bail bondsman is required to maintain with the commissioner from \$5,000 to \$15,000.

Section 9: Makes a conforming amendment to account for the Class I felony provision in Section 5.

Section 10: This act becomes effective Oct. 1, 2000.

HOUSE BILL 1696 FIRE INSURANCE PUBLIC PROTECTION DISTRICTS

For many years the insurance services office (ISO), a private corporation funded by the insurance industry, established public protection districts for the purpose of setting premium rates for homeowners' and property insurance. ISO visited fire districts and evaluated their fire departments' abilities to respond to fires, as well as the quality of their equipment, and then set fire district ratings.

In 1987 the General Assembly gave the Commissioner of Insurance (who also the State Fire Marshal) the duty of rating the fire districts in rural areas of the State.

This act simply gives the Commissioner the authority to rate fire districts in rural areas and in cities with populations of 100,000 or fewer. Standards for rating fire districts shall be adopted in accordance with the rulemaking provisions in the Administrative Procedure Act (Chapter 150B of the General Statutes). There is also a provision for appeals by aggrieved persons.

HOUSE BILL 1699 INSURANCE LICENSE FEES/RECIPROCITY

Section 1: Reduces the nonresident broker fee from \$100 per year to \$50 per year (same as resident brokers).

Section 2: Establishes a system of reciprocity for licensing of insurance agents and brokers (producers). It also sets forth the procedures a nonresident person should follow to obtain a nonresident producer license. It is taken from the Producer Licensing Model Act of the National Association of Insurance Commissioners (NAIC).

Section 3: Makes a conforming amendment to existing law.

Section 4: Many states now require 150 college hours in accounting, which amounts to five years of coursework

(in essence you must get a masters). North Carolina (the N.C. Board of CPA Examiners) began to require this beginning Feb. 1, 2000. This proposed statutory change would mean whatever examination requirements were in effect when the applicant graduated from college would be the criteria, not the new examination requirements that went into effect in February. If North Carolina doesn't change the law, our candidate pool will become even smaller because the new examination requirements would apply at the time the person is employed by the Department. These are minimum education requirements. There are other requirements promulgated by the Department and the Office of State Personnel.

Sections 5 and 6: These amend the definition of "person" for the purposes of the FAIR and Beach Plans so that the plans can continue to write property insurance for cities and counties.

Section 7: In 1999, a definition for "branch or district office" was added to the motor club licensing laws. As read, the definition would require licensing for every location, for example, a person's home, where motor club business is conducted. The intent was not to require a license for incidental use of a residence or other location. This amendment makes it clear that the location would not be licensed unless it is used as a principal place of business.

Section 8: Raises the surety bond amounts for manufactured home dealers and set-up contractors.

Section 9: Requires notification to the Manufactured Housing Board from manufactured housing licensees of any change in ownership or control of the licensee's business and of any federal bankruptcy or State receivership proceedings commenced against the licensee.

Section 10: Provides that architectural plans for city, county and school buildings that comprise fewer than 10,000 square feet would be approved by the local government's planning department and not by the commissioner of insurance.

HOUSE BILL 1854 INSURANCE REGULATORY CHARGE

Section 3 of this act provides that the percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is 7 percent for the 2000 calendar year.

SENATE BILL 787 LEGISLATIVE STUDY COMMISSIONS

The Legislative Research Commission will likely study the plans and operations of the Beach and FAIR Plans. The

Commission may consider all issues related to the availability of homeowners' insurance coverage, including wind coverage, in the beach and coastal areas of the State. The Commission may study the problems associated with the lack of availability of homeowners' coverage in the beach and coastal areas, including:

- 1) The unwillingness of insurance carriers to write their proportionate share of coverage in those areas of the State.
- 2) The inadequacy and inefficiency of the operations of the FAIR and Beach Plans.
- 3) The restrictiveness of the coverage provided by the FAIR and Beach Plans.

The Commission may also consider:

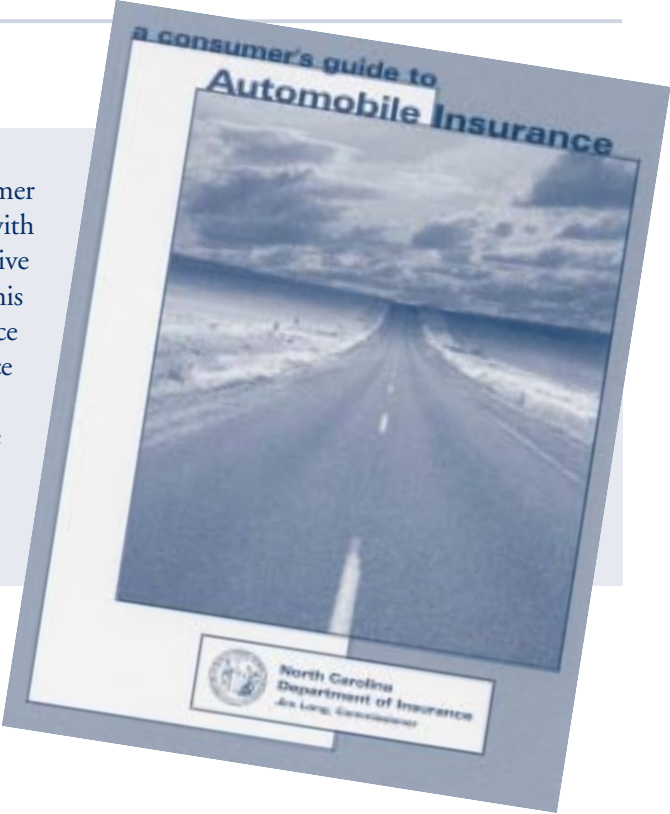
- 1) All possible options to encourage insurance carriers to write more homeowners insurance policies in the beach and coastal areas.
- 2) Whether the Beach Plan and possibly the FAIR Plan should be administered through a reinsurance facility concept such as the North Carolina Motor Vehicle Reinsurance Facility.
- 3) Whether the temporary rate cap on wind-only policies written in the coastal area should be removed.
- 4) The option of directing members of the FAIR and Beach Plans to provide homeowners coverage where otherwise eligible except for geographic location with the option to cede the entire exposure or portions thereof to the Plans.
- 5) The benefits of allowing annual credit to insurance carriers based on insurance exposure written as opposed to insurance premium written, as specified in G.S. 58-45-25.
- 6) Possible revisions of the participation formula of the Beach Plan.

The Commission may report its findings and recommendations, along with legislation, to the 2001 General Assembly.

New Guide to Aid Consumers

The Department of Insurance has recently stepped up its consumer outreach efforts, developing several publications to aid consumers with insurance questions. The most recent publication is a comprehensive automobile booklet, *A Consumer's Guide to Automobile Insurance*. This 18-page booklet presents a quick overview of automobile insurance coverages, explains the Safe Driver Incentive Plan (SDIP), offers insurance tips and answers frequently asked questions, among other things.

The *Consumer's Guide* is available for downloading on the Department's Web site, www.ncdoi.com. A hard copy can be ordered online also, or by calling 800-546-5664.



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